

STATE OF COLORADO

Deferred Compensation Committee Governance Manual

FOR

457 Deferred Compensation Plan State Defined Contribution Match Plan Public Officials' & Employees' Defined Contribution Retirement Plan

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¹ Article XVII, Qualified Domestic Relations Orders and Article XIX, Loans were removed from the Operating Plan and are now stand-alone policies. Article XVI, Education/Travel Policy was also revised with this amendment.

² Article XV, Election Guidelines were revised with this amendment.

³ Article IX, Hardships and Article XIV, Investment Policies and Guidelines were removed with this amendment and are now stand-alone policies.

⁴ Table of Contents changed order of Article I and II; and Articles I through IV were approved by Committee.

ARTICLE I
MISSION, PRIMARY GOALS

Section 1. Mission

The Committee shall maintain a federal IRC Section 457 (b) eligible deferred compensation plan (457 Plan), a federal IRC Section 401(a) defined contribution match plan (401(a) Match Plan) for the purpose of providing tax deferred investment opportunities for eligible employees and to receive tax deferred employer matching contributions required under C.R.S. 1973, 24-52-101 et.seq.

The Committee shall also maintain a federal IRC Section 401(a) defined contribution retirement plan (State DC Plan) under Section 24-52-203, C.R.S. (2003), and as a qualified retirement plan under Section 401(a) of the Internal Revenue Code.

Section 2. Primary Goals

- (a) Provide tax-deferred savings (457 Plan), matching employer contribution benefits (401(a) Match Plan) and an optional retirement plan (State DC Plan) (hereinafter referred to as the Plan).
- (b) Exercise functions solely in the interest of the Participants and the beneficiaries and for the exclusive purpose of providing benefits and defraying reasonable expenses incurred in administering the Plans.
- (c) Be responsive and flexible to meet Participants' needs, balancing costs of services with uses of services.
- (d) Provide a selection of investment options that meet each Plan's investment objectives as outlined in each Plan's Investment Policy. Investments are selected on a competitive basis, and represent a reasonable choice as to investment risk, return, style and asset class.
- (e) Provide quality service to the all Plans' Participants.
- (f) Seek the input and feedback of all Plans' Participants through various means such as surveys to ensure that the program continues to meet the needs of its Participants.
- (g) The 457 Plan is a supplemental tax deferred savings vehicle. The Committee will adopt plan designs and features to provide 457 Plan Participants with maximum flexibility and opportunities consistent with applicable IRC and legal requirements. The State DC Plan is one of the primary retirement plans for Participants. The Committee will adopt plan designs and features to provide State DC Participants with a mix of asset classes consistent with preservation of capital or long-term capital appreciation.

ARTICLE II

DEFINITIONS

Section 1. Definitions

(a) 457 Plan

The term "457 Plan" means the State of Colorado Deferred Compensation Plan and the 401(a) Defined Contribution Match Plan under the federal Internal Revenue Code (IRC) Section 457(b) eligible Deferred Compensation Plan and the Section 401(a) Defined Contribution Match Plan, respectively, as established by Colorado statutes in C.R.S. 24-52-101 et. seq., which provide eligible employees with the opportunity to tax defer contributions for supplemental savings and to receive tax deferred employer matching contribution retirement benefits.

(b) State DC Plan

The term "State DC Plan" means the Public Officials' and Employees' Defined Contribution Retirement Plan regulated under the federal Internal Revenue Code (IRC) Section 401(a) Defined Contribution Plan as established by Colorado statutes in C.R.S. 24-52-201 et. seq., which provides an alternative to participation in the Colorado Public Employee's Retirement Association (PERA) for term limited public officials and other employees expressly permitted to opt out of the association's defined benefit (DB) plan. All new employees hired on and after January 1, 2006 (with certain statutory exceptions) are eligible to make a one-time irrevocable election to participate in the State DC Plan or to participate in PERA. New employees of Higher Education Institutions who are hired on or after January 1, 2008 are also eligible to make this one-time irrevocable election (SB06-235).

(c) Committee

The term "Committee" refers to the nine members as designated by state statute in C.R.S. 24-52-102 and in Article IV, Section 1 of this Governance Manual.

(d) Plan Manager

The term "Plan Manager" refers to the Department of Personnel and Administration Executive Director or delegate as defined in statute and Article VI, Section 3 of this Governance Manual.

(e) Participant

The term "Participant" refers to an employee or beneficiary who has an account balance in any of the Plans. Participants include those who are actively participating in one or more of the Plans, those who have suspended active participation, and those who are retired or terminated from state employment and have account balances. Any Participant in the 457 Plan is eligible to vote in the election of non-statutory committee members. Pursuant to the statute, Participants in the State DC Plan have a Governor-appointed member on the Committee.

(f) Investment Fund Provider

The term “Investment Fund Provider” refers to any insurance, variable annuity, bank, mutual fund company, or investment company that provides investment funds in the Plan and which has agreed to certain duties, responsibilities and liabilities under the Plans.

(g) Bundled Provider

The term “Bundled Provider” means a private sector company that offers Participants a full range of individually allocated investment products within a contract or account meeting the requirements of section 401(a) of the Internal Revenue Code, including investment products or arrangements described in sections 401(f) and 403(a) of the Internal Revenue Code combined with a full range of administrative and customer services, including but not limited to, accounting and administration of individual Participant benefits and contributions, individual Participant record keeping, asset purchase, control, and safekeeping; direct execution of the Participant’s instructions as to asset and contributions allocation, calculation of daily net asset values, direct access to Participant account information, periodic reporting to Participants, at least quarterly, on account balances and transactions, broad distribution options, and direct asset allocation and retirement counseling and education. C.R.S. 24-52-202(1.5).

(h) Eligible Employee

1. Within the 457 Plan and 401(a) Match Plan: The term “Employee” means any person, including elected officials, employed by and receiving compensation from the State of Colorado or any city and county, county, city, town, or other political subdivision. Ref. C.R.S. 24-52-101(4).
2. Within State DC Plan. The term “Eligible Employee” is defined in the Public Officials’ and Employees’ Defined Contribution Plan statutes, C.R.S. 24-52-202

ARTICLE III
LEGAL AND PROCEDURAL

Section 1. Federal Law

- (a) The Deferred Compensation Plan is established under and intended to operate as a Section 457 of the Internal Revenue Code and related regulations, and any amendments.
- (b) The Defined Contribution Match Plan is established under and intended to operate as a Section 401(a) of the Internal Revenue Code and related regulations, and any amendments.
- (c) The Public Officials' and Employee's Defined Contribution Retirement Plan is established under and intended to operate as a qualified retirement plan under Section 401(a) of the Internal Revenue Code and related regulations, and any amendments.

Section 2. Plan Documents

- (a) Section 457 Plan. The Committee has developed a Plan document in accordance with Section 457 of the Internal Revenue Code to establish and operate the Section 457 Deferred Compensation Plan. The Plan document was adopted on May 1, 1981, and subsequently amended. The Plan document was also submitted to the Internal Revenue Service for review and received written notice from the IRS on July 23, 1987, that it is an eligible deferred compensation plan as defined in Section 457(b) of the Code and applicable regulations. On July 1, 1998, the plan document was revised to comply with the requirements of Section 457 (g) to place the assets of the Plan into a Trust for the exclusive benefit of Participants and their beneficiaries. In December 2001, the Plan document was amended to comply with the applicable provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA of 2001). The 457 Plan received a private letter ruling from the Internal Revenue Service (IRS) in September 2005 reaffirming the status of the 457 Plan as an eligible deferred compensation plan as defined in section 457(b) of the code.
- (b) Section 401(a) Match Plan. The Committee has developed a Plan document in accordance with Section 401(a) of the Internal Revenue Code to establish and operate the Defined Contribution Match Plan. The Plan document was adopted effective January 1, 2001, and amended effective January 1, 2002, to comply with applicable provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA of 2001). The 401(a) Match Plan received a favorable letter of determination under Section 401(a) of the Internal Revenue Code from the IRS on December 31, 2003.
- (c) Section 401(a) Retirement Plan (State DC Plan). The Committee has developed a Plan document in accordance with Section 401(a) of the Internal Revenue Code to establish and operate the Defined Contribution Retirement Plan. The State DC Plan document was adopted effective January 1, 1999, and has been subsequently amended. The State DC Plan received a favorable letter of determination under Section 401(a) of the Internal Revenue Code from the IRS on January 19, 2000.

Section 3. State Law

- (a) Colorado Revised Statutes, 24-52-101 et seq. as amended, provides the statutes governing the 457 Plan.
- (b) Colorado Revised Statutes, 14-10-113(6), provides for special rules regarding payment of Plan benefits to alternate payees under certain domestic relations orders.
- (c) Colorado Revised Statutes, 24-54.7-101 (2001) provided the enabling statute legislation for the State DC Plan. Pursuant to the provisions of SB02-231 administration of the Plan became the responsibility of the Deferred Compensation Committee effective July 1, 2002, and the statutes governing the State DC Plan were moved to Colorado Revised Statutes 24-52-201 et seq. In accordance with SB04-257, effective July 1, 2005, the State DC Plan must have at least three separate and distinct bundled providers.

Section 4. Committee Election Procedures

In accordance with State statutes, the Committee has promulgated procedures for conducting the annual elections to the Committee. These procedures were adopted on November 24, 1987, and subsequently amended on October 13, 2005. They are included in this Governance Manual in Article VIII.

Section 5. NAGDCA

The Committee may maintain membership in the National Association of Governmental Defined Contribution Administrators (NAGDCA) or similar organization for the purpose of information exchange, continuing education opportunities and as the major resource for defined contribution plan administration.

ARTICLE IV
ORGANIZATIONAL STRUCTURE

Section 1. Deferred Compensation Committee

- (a) The Committee shall be responsible for establishing, maintaining and administering the Plans.
- (b) The Committee recognizes that it is a fiduciary with regard to its duties and responsibilities under all of the Plans and shall carry out such duties and responsibilities solely in the interest of the Participants and beneficiaries and for the exclusive purpose of providing benefits and defraying reasonable expenses incurred in performing such duties as required by law. The Committee shall act in accordance with provisions of the Plans' documents and in accordance with applicable provisions of Colorado Revised Statute 24-52-102 & 103, 457 Plan and 24-52-203, State DC Plan.

Section 2. Committee Membership

In compliance with C.R.S. 24-52-102, as amended, the Committee is composed of nine members. In July 2002 the Governor's Appointee was changed to a Participant of the Public Officials Plan and allowed for one of the elected members to be a retiree (SB01-231). Refer to Committee Election Guidelines Article VIII.

Section 3. Committee Officers

At the July meeting of each plan year, the Committee will conduct elections for the positions of Chair and Vice-Chair. In the event that the Chair can no longer serve the remainder of the term during the year, the Vice-Chair shall assume all authority and responsibilities of the chair. In such an event, a new election for Vice-Chair would be conducted.

Section 4. Executive Committee

The Executive Committee may exercise normal Committee functions between regular meetings but shall have no policy-making functions. The elected Chair will also appoint a third Committee member and an alternate to serve with the Vice-Chair as part of the Executive Committee.

Section 5. 457 and 401a Match Plan Hardship Review Committee

At the July meeting of each plan year the Chair will appoint the Hardship Review Committee composed of three members and one alternate. At least one of the three members on the Hardship Committee will be an employee elected representative.

Section 6. Staff

Under C.R.S. 24-52-102 (2)(c), as amended, the Plans shall be managed by the State of Colorado, Department of Personnel and Administration Executive Director, who shall be the Executive Officer of the Plan. The Executive Director shall provide sufficient resources necessary to manage the Plans for the Committee. The Committee will have the opportunity to provide input to the Executive Director into the annual performance appraisal of the staff, as well as

input into the annual budget request, including budget change requests as necessary, and allocated FTE for plan administration, in executive session, to the extent permitted by law.

Section 7. Professional and Consultant Services

The Committee may contract with appropriate professional and consulting firm experts and/or Bundled Providers to provide analysis, advice and other services relating to the design, administration, legal, investment, communication and marketing of the Plans and any other matters requiring expert opinions, including tax consultants outside of those provided by the Colorado Department of Law, Attorney General's Office.

Section 8. Record keeping and Administrative Services

For the 457 and 401(a) Match Plans, the Committee may contract with an organization for record keeping services (e.g., maintaining account balances, processing transfers and distributions, preparing and mailing consolidated quarterly statements, 24 hour access to information, customer service, and other services as determined by the Committee).

For the State DC Plan the Committee shall contract with at least three Bundled Providers for record keeping services (e.g., maintaining account balances, processing transfers and distributions, preparing and mailing consolidated quarterly statements, 24 hour access to information, customer service, and other services as determined by the Committee). Other than professional advisors and independent consultants or experts necessary for the proper discharge of the Committee's fiduciary duty, no investment products, educational or administrative services shall be offered under the State DC Plan except for three Bundled Providers.

Section 9. Marketing and Communication Services

In order to make the Plans known and available to all eligible employees and to provide assistance to Participants, the Committee will contract with an organization for marketing and communication services, which may be the same organization as in Section 8 above. The Committee shall prepare a summary for each Plan that describes the material features and terms of the Plans to Participants written in a matter that can be understood by the average eligible Participant.

ARTICLE V

COMMITTEE OPERATION

Section 1. Meeting schedule.

The Committee will have regularly scheduled meetings. Special meetings may be called based upon a request by a majority of the Executive Committee.

Section 2. Meeting Agenda.

The meeting agenda will be prepared by the staff with the Executive Committee's approval. One week prior to the meeting, agendas will be sent to all Committee members and interested parties.

Although agenda items will vary from month to month, the Committee will conduct the following activities on an annual basis:

- Annual Investment Performance Review
- Budget Planning and Finalizing
- Performance Appraisal of Staff
- Elect Committee Officers
- Elect Hardship Review Committee
- Annual Strategic Planning Retreat
- Annual Financial Statements Review
- Annual Asset Fee Review
- Annual Investment Company Reports/Reviews
- Annual Marketing Report

Section 3. Quorum.

A minimum of five Committee members must be present at a meeting to take any formal action.

Section 4. Meeting Procedures.

Committee meetings will be conducted in accordance with Rules of Order that it may adopt from time to time.

Section 5. Committee Action.

If a quorum is present at meetings, action can be taken by the Committee. Motions will be passed or voted down by a simple majority vote. The Chair is eligible to vote on all motions. Committee members may participate at meetings through telephone or other appropriate electronic media approved by the Committee and shall be treated as present for purposes of determination of a quorum, voting on motions and other lawful actions of the Committee.

Section 6. Public Record and Participation.

- (a) Formal minutes of each meeting, including Executive Committee Meetings and Executive Sessions will be maintained by the staff pursuant to HB 01-1359, CRS 24-6-402. A draft of the minutes will be provided to the Committee for review and formal adoption at a subsequent meeting. Upon formal adoption, minutes will be available for public distribution upon request. If a tape recording of the meeting is conducted, it will also be made available for public review.
- (b) Members of the public may request that staff place their names on the mailing or e-mail list for distribution of agendas. If a company wishes to be placed on the distribution list, a primary contact should be identified.
- (c) Non-confidential Documents that have been provided to the Committee during meetings will, upon request, be provided to members of the public. Interested persons should contact staff following the meetings. Copying of documents may be subject to a service charge of \$1.00 per page.
- (d) A public record of all meeting attendees will be maintained by the staff.
- (e) The Committee welcomes the participation of Plan participants and the public. Interested parties should contact the staff at least two weeks prior to the scheduled Committee meeting to request agenda time. The Committee Chair will determine the appropriateness and, if time permits, inclusion in the agenda.
- (f) All contracts between the Committee and professional and investment providers, consultants, and marketing companies are available for public inspection in the Division of Human Resources, Employee Benefits Unit of the Department of Personnel and Administration. Copying of documents may be subject to a \$1.00 per page service charge.

Section 7. Meetings

- (a) Open Meetings
Meetings will be open to the public at all times under Colorado Open Meetings Law (CRS 24-6-401 and 24-6-402), as amended except when an executive session is required.
- (b) Closed Meetings
Executive sessions will be convened for consideration of matters that are required to be kept confidential by state statute or rule. An example of the latter would be the development of a Request for Proposal or the evaluation of bid responses.

Section 8. Committee Expense Reimbursement.

There is no direct compensation for Committee members. Travel and parking expenses for meeting attendance will be reimbursed by the Plan in accordance with State fiscal rules.

ARTICLE VI

PLAN REPORTS

In order for the Committee to properly exercise its fiduciary responsibilities, the following reports will be prepared, as directed by the Committee, by the staff, administrator, marketer, or other plan professional advisors or consultants on the Plan's activities:

Section 1. Monthly Participant Activity Reports.

A report will be produced that summarizes the activity of the participants including the number of new plan participants, activity by investment fund, and prior and current months' payroll amounts. It will also include the information regarding the usage of the Voice Response System, the Internet and live customer service contacts and any other services or other items requested by the Committee. This report will be presented to the Committee on a monthly basis. A hardcopy of the report should be included in the packets that are mailed to the Committee.

Section 2. Monthly Marketing Reports.

This report will provide marketing data on the enrollment activity including number and type of contacts made, number of meetings held and the attendance at those meetings, and other items requested by the Committee. This report will be presented to the Committee on a monthly basis. A hardcopy of the report should be included in the packets that are mailed to the Committee.

Section 3. Quarterly Bulletins

The staff, administrator, and marketer will prepare quarterly bulletins which include rates of return for the quarter, year, and five years; plan changes, committee activities, and other articles of interest to participants. This bulletin will be mailed directly to plan Participants with the quarterly participant statements.

Section 4. Quarterly Financial Statements

The staff accountant will prepare and present quarterly financial statements to the Committee in May, August, November and February. The reports presented should include at a minimum, the balance sheet, income statement, activity by investment fund and a budget report that reflects the current financial condition.

Section 5. Annual Investment Performance Report

The Investment Consultant will provide the Committee an annual investment performance report in accordance with Article XIV. This report will include at a minimum the following:

- (a) Rate/interest profile of various funds for the calendar year as well as for the last five years.
- (b) Comparison of fund performance to Committee established benchmarks and indices.
- (c) Financial credit ratings.
- (d) Recommendations for investment modifications.
- (e) Analysis of any investment advisory services provided to participants under the Plan.

Section 6. Fiscal Year-end Financial Statements

The staff accountant will prepare and present the audited fiscal year-end financial statements to the Committee at the next available monthly meeting once the audit has been released by the Legislative Audit Committee and the State Auditors Office.

Section 7. Annual Plan Report

The first quarterly bulletin will include an annual report for the previous fiscal year.

Section 8. Annual Asset Fee Analysis

The staff accountant will prepare and present an annual report to the Committee which details the asset fee history, makes three year projections of future plan growth, and provides alternative asset fee assessments to determine whether an adjustment is needed. This report should be combined with the budget report to insure the fees are appropriately supporting the Plan.

Section 9. Annual Budget Proposal

The staff accountant will prepare an annual budget proposal reflecting state budget standards and the Committee's desired budget request for submittal to the Department of Personnel and Administration Budget Officer.

ARTICLE VII

ACCOUNTING AND AUDITING

Section 1. Internal Controls

The staff accountant shall establish and publish all necessary internal controls to ensure the protection of participant funds in accordance with State and federal statutes and applicable regulations.

Section 2. Contract Compliance

The staff accountant shall secure the necessary reports and documentation from the contractors to ensure that there is proper contract compliance.

Section 3. Investment and Service Provider Reviews

The Committee may provide for a review of third-party investment and service providers' internal, external and regulatory audit reports. These reviews may be conducted on an annual basis or at other times as may be deemed appropriate by the Committee. These reviews will identify financial, internal control, and compliance issues to be addressed during on site audits of the investment and service providers and provide assurance of their financial stability on an annual basis. The Committee may authorize the conduct of on-site financial and compliance audits to provide assurance to the State that Plan and Participant assets are properly accounted for and investment and service providers are in compliance with contractual provisions.

Section 4. State Auditor's Office Annual Plan Audit

As specified in CRS 24-52-102 (2)(c)(6), as amended, the State Auditor shall be responsible for conducting regular performance and financial audits of the Plan. The auditor will work with the Staff Accountant and Plan Administrator as the first line of contact. The Committee will monitor staff progress during implementation of recommendations from the State Auditor's Office.

ARTICLE VIII
EXCESS DEFERRALS AND CONTRIBUTIONS

Section 1. Deferral Limit Monitoring

- (a) The State's accounting staff shall monitor individual Participant accounts for contributions to the Section 457 Deferred Compensation Plan in excess of that permitted under IRC Section 457(b) and to the Section 401(a) Defined Contribution Match Plan in excess of that permitted under IRC Section 415(c). A system audit will be performed by the appropriate State Payroll Manager for participants contributing to the 457 Plan. The State's Staff Accountant must perform a manual audit in order to comply with the 100% of includible compensation limit under IRC Section 457(b) and Section 415(c), and participants who contribute to more than one Section 457(b) or Section 401(a) plan sponsored by the State. Notification must be made by the appropriate State Payroll Manager to the State's Staff Accountant and to the Participant in order for him \ her to maintain an active role in the management of their personal investment options.
- (b) Any excess deferral to the Section 457 Deferred Compensation Plan will be distributed to the Participant, with allocable net income, as soon as administratively practicable after the Committee determines that the amount is an excess deferral in accordance with applicable IRS regulations. Necessary refunds will be calculated at the end of the calendar year in order to provide accurate annual tax information to the Participant. Coordination must be made with Central Payroll and the appropriate agency payroll office.
- (c) Any excess contribution to the Section 401(a) Defined Contribution Match Plan in excess of that permitted under IRC Section 415(c) shall be treated in a manner permitted by IRS Regulation Section 1.415-(6)(b)(6).

ARTICLE X
ROLES, RESPONSIBILITIES, AND DUTIES

Section 1. Committee

The Committee is responsible for the establishment, maintenance and administration of the Plan, including the following duties:

- (a) Establish policy for the plan.
- (b) Establish rules, regulations and procedures for the administration of the plan.
- (c) Select all providers of investments, marketing, record keeping and consulting services.
- (d) Determine any fees associated with the plan.
- (e) Conduct periodic review of plan operations, investment performance, and budget.
- (f) Exercise fiduciary responsibility for the plan solely in the interest of the participants and their beneficiaries
- (g) Conduct annual performance appraisal of staff.

Section 2. Committee Chair

The Committee Chair is responsible for the following duties:

- (a) Conduct meetings.
- (b) Sign contracts.
- (c) Review and approve agendas.
- (d) Discuss issues with Committee and staff

Section 3. Staff

The Staff is responsible for the following duties:

- (a) Provide administrative and technical support to the Committee.
 - (b) Work with third party administrator to develop communications materials.
 - (c) Develop various committee reports.
 - (d) Attend all Committee meetings.
 - (e) Maintain complaint logs.
 - (f) Act as liaison for all contractors to the Plan.
 - (g) Handle reconciliation and accounting responsibilities for the Plan.
 - (h) Provide customer service to participants.
 - (i) Conduct performance audits and assessments.
 - (j) Review and make recommendations on hardship requests.
 - (k) Prepare annual budget and financial statements.
 - (l) Research issues for participants and the Committee.
-
- (m) Advise the Committee of any legislative or Internal Revenue Service changes.

- (n) Develop any Request for Proposals that may be required for investment services, marketing/recordkeeping services and any other services that may be required.
- (o) Assist in the evaluation of Request for Proposals as needed.
- (p) Prepare and monitor contracts with vendors and consultants
- (q) Develop procedures manual.

Section 4. Attorney General and Legal Counsel

The Attorney General and any other outside Legal Counsel as approved by the Attorney General shall provide legal advice to the plan upon the request of the Committee.

Section 5. Professional Advisors and Consultants General; Investment and Tax Consultants

As directed by the Committee, other general, investment and tax professional advisors and consultants shall provide the following services:

- (a) Respond to Committee/staff questions on technical aspects of plan administration.
- (b) Develop Annual Investment Performance Report.
- (c) Review plan document for compliance.
- (d) Provide strategic consulting services related to the Plan's investment structure, investment policy, communication plan, and overall management.
- (e) Make recommendations to Committee on renewal of investment and marketing contracts.
- (f) Other services and duties as established by the Committee.

Section 6. Marketer

As directed by the Committee, the marketer for the Plan shall provide the following services:

- (a) Enroll new participants in the Plan.
- (b) Provide ongoing assistance and services to current Plan participants.
- (c) Attend monthly Committee meetings.
- (d) Provide an ongoing reporting of results and an annual review of performance.
- (e) Develop, produce, distribute, and fund expenses with professional communication materials, administrative forms and systems.
- (f) Focus efforts solely on marketing, enrollment, and communication of the Plan.
- (g) Provide unbiased information, education and services about the Plan's investment options and managers.
- (h) Maintain complaint log of Participant calls.
- (i) Other duties as provided for in the contract.
- (j) Make recommendations for improving communications effectiveness.

Section 7. Record Keeper

As directed by the Committee, the Record Keeper for the Plan shall provide the following services:

- (a) Provide consolidated account record keeping.
- (b) Provide daily valuation of participants' accounts.
- (c) Provide a voice response system (VRS) with 24/7 access.
- (d) Provide a customer service center, including a toll-free number for Participant inquiries.
- (e) Process Participant transfer requests.
- (f) Process distributions, including hardship withdrawal requests approved by the Committee.
- (g) Prepare and distribute consolidated quarterly statements.
- (h) Record participants' changes (increases, decreases, change of funds, etc.) and report to State on a monthly basis.
- (i) Record payroll deductions to individual Participant accounts.
- (j) Provide appropriate system edits based on IRC Section 457 and 401(a) plan rules, including those necessary to monitor over contribution limits.
- (k) Other duties as provided for in the contract.

Section 8. Participant Investment Advice Provider

As directed by the Committee, the Participant Investment Advice Provider for the Plan shall provide the following services:

- (a) Providing specific advice to participants on asset allocation and fund selection with respect to the Plan's investment options;
- (b) Providing general investment and retirement planning advice for participants and their families;
- (c) Delivering individual investment advice;
- (d) Ensuring the credibility and objectivity of investment advice by, for example, appropriately managing any conflicts of interest;
- (e) Cooperating with the Plan's third party administrator to facilitate timely and efficient administration of the Plan and consistent communications with Plan participants;
- (f) Working effectively with the Committee and program staff to develop and implement an individual investment advice program that is responsive to the needs of Plan participants.
- (g) Other services and duties as established by the Committee.

ARTICLE XI

CODE OF ETHICS AND STANDARDS FOR COMMITTEE AND STAFF CONDUCT

Section 1. Code of Ethics and Standards

Committee members and staff shall be subject to the following code of ethics and standards:

- (a) Shall recognize and be accountable for their responsibilities as fiduciaries.
- (b) Shall exercise prudence and integrity in the selection and monitoring of investment providers and the management of funds.
- (c) Shall avoid engagement in any activity or business that creates a conflict of interest.
- (d) Shall accept no fee, compensation, gift, payment of expense, or any other item of monetary value, under circumstances in which the acceptance may result in an undertaking to give preferential treatment to any person or company or would result in any loss of complete independence or impartiality.
- (e) Shall not disclose, use or allow others to disclose or use for private gain confidential information acquired by virtue of employment.
- (f) Shall not engage in conduct involving dishonesty, fraud, deceit, or misrepresentation.

ARTICLE XII
PLAN MARKETING, COMMUNICATION AND CUSTOMER SERVICE

Section 1. Program Orientation

The Committee considers the Plan a key element of the State employee's compensation and benefits program and its objective to attract and retain quality employees. The Plan serves to provide mechanisms and programs for meeting an employee's tax deferred savings need. The Committee's intent is to communicate the availability of the program to all eligible employees; however, enrollment in the Plan is purely voluntary.

Section 2. Communication Objectives

- (a) To have every State of Colorado employee make a thoughtful, informed participation decision with regard to participation in any one or combination of the available voluntary tax deferred savings plans made available by the State, including this Plan, the PERA Section 401(k) Plan and any available Section 403(b) Tax Sheltered Annuity program.
- (b) To provide objective, comprehensive and accurate information.
- (c) To communicate the Plan's key characteristics:
 - Voluntary retirement supplement
 - Employer matching contributions
 - Tax deferred savings vehicle
 - Convenient payroll deductions
 - Broad, competitive cost no-load investment choices
 - Simple, timely, user-friendly transactions
 - Catch-up deferral provisions
 - No federal income tax early withdrawal penalty
 - Purchase PERA Defined Benefit Pension Plan Service Credits
 - Availability of Plan Loans
 - Availability of Hardship distributions
- (d) To increase Plan participation and contribution levels.
- (e) To raise employee and Participant perceptions of the Plan.
- (f) To comply with applicable notification and documentation requirements.
- (g) To increase Participant's understanding of plan provisions and policies.
- (h) To solicit and be driven by employee and Participant feedback.

- (i) To work cooperatively with other State of Colorado agencies, supporting a coordinated "tax deferred savings" and "retirement income" message.
- (j) To provide investment education, planning and advice resources for participants.
- (k) To provide focused (rather than broad) information that effectively communicates to target audiences, which include
 - New employees
 - Non-participants
 - New participants
 - Ongoing participants
 - Participants requesting hardship withdrawals
 - Terminating participants
 - Suspended participants
 - Participants near retirement
 - Beneficiaries
- (l) To coordinate and integrate communication and marketing activities for the Plan with Department of Personnel and Administration policies as appropriate and practicable.

Section 3. Communications Materials

Communication materials will convey the basic features of the plan. The Committee believes that the communications should emphasize the tax deferred savings and investment basis of the plan and its role as a tax-deferred savings vehicle and its unique role in supplementing retirement income. The Committee will provide full disclosure of fees associated with the plan through the marketing presentations and materials.

Section 4. Customer Service

This is the employees' program and is funded entirely by employee moneys. As such, the Committee strives to provide strong customer service to its participants.

Section 5. Participant Surveys

The Committee feels that the plan should be designed around the interests of its participants. Every two years, the Plan Marketer may conduct an attitude survey of its participants to determine:

- (a) Satisfaction with plan direction and management.
- (b) Satisfaction with investment options.
- (c) Evaluation of committee, staff, marketer, administrator and investment providers.
- (d) Recommendations for plan improvements.

Section 6. Employee Surveys

Every two years the staff or Plan Marketer may conduct a random sample of non-participating employees to identify reasons for non-participation and methods for educating employees about the program.

Section 7. Communication Materials

The Committee and staff will review the various communication materials including plan brochures, plan document, enrollment forms and investment descriptions to ensure their continued accuracy and effectiveness on an annual basis.

Section 8. Marketing Goals

(a) Short Term Goals

- To review statistics prepared by any third party service provider to direct the Plan marketing efforts in terms of locations and types of employees.
- Such statistics will include the number of participants in the Plan, 401(k) and 403(b) plans made available by the State, by agency as well as Participant age, years of service, salary, and deferral amount and any other such areas as requested by the Committee. The Committee will review such information on an annual basis in order to provide feedback to the marketer.
- To require the marketer to establish work goals based on the information provided by the Committee and to report to the Committee progress toward those goals on a quarterly basis.

(b) Long Term Goals

- To ensure that all eligible employees who are not Plan participants know about the Plan and have made an informed participation decision.
- The Committee will measure knowledge about the Plan through the periodic survey results.

ARTICLE XIII
PLAN FEES

Section 1. Plan Fees

- (a) CRS 24-52-102 provides that the Plan may assess each participating employee a fee for administering the fund which shall be automatically deducted and which shall not exceed one percent of the employee's assets.
- (b) The Plan Document also provides the Committee the authority to assess administrative fees.
- (f) The asset fee will not be charged on the assets of a Participant receiving periodic payouts. The Plan should pursue obtaining 12(b)-1 fees from any investment options that provides them, if directly contracting with investment providers or administrative expense credits from the recordkeeper as provided for in the contract.
- (g) As part of the Committee's legislative directive to provide a plan for the exclusive purpose of providing benefits and defraying reasonable expenses incurred in administering the plan, the Committee will make an annual formal review of asset fee revenues to determine if an adjustment is needed.

ARTICLE XV

ELECTION GUIDELINES

Section 1. Definitions

- (a) Nominee means an active or retired Eligible Employee who is a Participant in the plan consistent with CRS 24-52-102.
- (b) Eligible Employee means any active or retired Participant who may nominate other participants for election to the Committee, may seek election and may vote.

Section 2. Committee Members

- (a) C.R.S. 24-52-102 (B) states, “There is hereby created the state deferred compensation committee consisting of the following nine members: The state treasurer, the state controller, or their designees; four employees who are participants in the deferred compensation plan, one of whom may be a retiree who is a participant in the plan, and who are elected by participants in the plan; a participant in the deferred compensation plan who shall be appointed by the governor; and two members of the general assembly, one a senator, or former senator who is no longer serving in the general assembly at the time of appointment and who is a participant in the deferred compensation plan, to be appointed by the president of the senate and one a representative, or former representative who is no longer serving in the general assembly and who is a participant in the deferred compensation plan, to be appointed by the speaker of the house of representatives. Each member who is a state official or the member’s designee shall serve on the committee for the duration of the member’s elected or appointed term of office. Members who are members of the general assembly shall serve on the committee for the duration of their elected terms of office as members of the general assembly; except that a former senator or representative who was not serving in the general assembly at the time of appointment shall serve at the pleasure of the official who appointed such individual to the committee and the participant in the plan appointed by the governor shall serve at the pleasure of the governor.”
- (b) C.R.S 24-52-102(1)(a)(II) further states, “The committee members representing the plan participants shall be elected for terms of four years. The committee shall establish the procedure for the election of the committee members elected by participants in the deferred compensation plan. Vacancies of elected committee members elected by participants in the deferred compensation plan shall be filled by election for the unexpired term.

- (c) Filling a vacancy for an unexpired term will be accomplished during the next regularly scheduled election unless the Committee directs staff otherwise.

Section 3. Election Schedule

Each year, in June, the Plan Administrator will conduct an election to fill the expiring term of office. Terms will run for four years on a staggered basis and commence on July 1.

Section 4. Notice of Election

Each year, the Plan Administrator will include a Notice of Election with the 1st quarter bulletin, providing election nomination requirements to participants listed with the recordkeeper. This notice will also be placed on the website, www.colorado457.com.

Section 5. Requirement for Nomination

Nominees seeking election must complete the nominating petition form requiring at least five signatures from other participants. It is not prohibited to have more than one candidate from the same Department or Agency. The Department of Personnel and Administration, Division of Human Resources, Employee Benefits Unit must receive nominating petition forms within 30 days from the date of mailing of the notice of election.

In addition, the nominee seeking election must submit the following information in electronic format and provide a printed copy, including full name, work and home address and telephone number, and a statement of not more than 150 words describing their background, including education, work and relevant experience, qualifications and reasons for seeking election. The nominee seeking election is solely responsible for the content of the information and its accuracy. Nominees shall review and approve the ballot prior to printing.

Section 6. Validation of Petition

The Plan Administrator shall validate active or retired employment of nominees seeking election and participants signing the nominating petition forms. If there are less than five validated Participant signatures on the nominating petition form, the potential candidate will be notified. Additional petition signatures may be submitted for validation within the 30-day period from the date the Notice of Election was mailed.

Section 7. Write In Nominees.

The Committee has established that there are no provisions for write-in nominees.

Section 8. Number of Nominees

In the event there is only one vacancy and one candidate, the Committee may make a motion, at the next regularly scheduled meeting, to accept that candidate for the vacancy.

In the event there are two vacancies and two nominees, the Committee may determine, after discussion with the nominees, which nominee will fill the vacant terms.

If the number of nominees exceeds the number of vacancies then an election will be held. The nominee with the highest number of votes will take the longest term available and so on.

Section 9. Election Process

The Committee and the Plan Administrator shall discuss and choose the most cost effective and efficient method for processing the election ballots

Ballots will require participants to provide either social security numbers or other appropriate identification that complies with applicable privacy laws. Ballots will be deemed invalid if the Participant does not provide his/her appropriate identification. Ballots will be deemed invalid if they are not filled in correctly. Ballots with more than one vote are invalid unless more than one vacancy is to be filled.

The Plan Administrator will prepare a Ballot for Election based on validated nominees. A biographical sketch and a statement of the reason for seeking election will be supplied for each nominee.

Ballots will be distributed to Participants by the Plan Administrator to participants' home addresses based on the third party administrator's mailing lists or posted on the website or both. The Department of Personnel and Administration, Division of Human Resources, Employee Benefit Unit must receive completed ballots postmarked or submitted electronically no later than 20 calendar days from the date of distribution.

Validation and tabulation of ballots may be completed by the Employee Benefits Unit or on a contract basis. The nominee with the highest number of votes will win the term of office.

If more than one vacancy is to be filled, ballots will be designed to allow participants to vote for the number of nominees that corresponds to the number of vacancies that exist. The nominee with the highest number of votes wins the position with the longest term. The nominee with the next highest votes wins the next longest term.

There will be no list of Nominees maintained after an election. Nominees must re-apply for each election

Section 10. Election Results.

The Plan Administrator shall notify all the nominees via written letter of the election results prior to the July Deferred Compensation meeting and shall notify plan participants in the third quarterly bulletin.

ARTICLE XVI

EDUCATION/TRAVEL POLICY

Section 1. Committee and Staff Education

The State of Colorado 457 Deferred Compensation Plan Committee in their administration of the 457 Plan as a trust is charged with the responsibility to exercise fiduciary responsibility for the Plan solely in the interest of the participants and their beneficiaries. As fiduciaries of the Plan, Committee members are expected to be capable of discharging their duties and responsibilities. To the extent practicable and subject to Committee approval, Committee members are expected to avail themselves of educational opportunities in order to secure adequate training to fulfill those responsibilities.

At a minimum, each Committee member shall be provided with the opportunity to attend the National Association of Government Defined Contribution Administrators (NAGDCA) annual conference and have all expenses paid for by the Plan. Eligible expenses include conference fees, travel and allowable miscellaneous expenses in conjunction with attending the conference. In addition, the Plan may pay expenses not to exceed \$1,000 per Committee member for other training opportunities per fiscal year consistent with the retirement subject areas outlined below. Training that exceeds \$1,000 shall be addressed and approved by the Committee on an individual basis.

In order for the Committee to receive the proper level of staff support, and in order for staff to perform their duties to provide administrative and technical support, develop various Committee reports, research issues for participants and Committee members and fulfill all responsibilities detailed in the Operating Plan, dedicated staff will also be provided with the opportunity to attend the NAGDCA annual conference and have expenses paid for by the Plan.

Training opportunities in the retirement areas may include but are not limited to 457 Regulations, Investments, Legislative Process, Financial Reporting, Auditing, Budgeting, Fiduciary Law, Effective Communication and Taxation.

Payment for Committee members and dedicated staff to become professionally certified in the retirement area such as Certificated Retirement Counselor and Certified Retirement Administrator will also be made as deemed appropriate by the Committee, but is counted as part of the training budget.

Section 2. Education/Travel Budget

Consistent with Section 1, the education/travel, i.e., training, budget for each Committee and dedicated staff member shall be authorized annually by the Committee and paid for by the Plan.

TRANSFERS FOR PURCHASE OF DEFINED BENEFIT SERVICE CREDIT

Section 1. Conditions For Service Credit Purchase Transfer

- (a) A Participant may elect to have all or any portion of the Participant's account paid via a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d) of the Code) for the purchase of permissive service credit (as defined in section 415(n) of the Code) or for repayments under section 415(k)(3) of the Code.
- (b) The Participant may make transfers under this section once each calendar year; however the Participant may make two such transfers in the year in which they retire.
- (c) The Committee may limit transfers under this Section 1. of this Article XIX in order comply with applicable proposed or final federal regulations or to comply with any limitations that may apply under IRC Section 415(n).
- (d) The plan receiving such amounts must provide for acceptance of such transfers.
- (e) The Participant may request such a transfer regardless of whether the Participant has incurred a severance of employment with the State, subject to rules of the receiving plan.